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AUTHOR	Hughes, Maria; Keddie, Vince; Webb, Peter; Corney, Mark
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ABSTRACT

Research into workforce development (WD) considered the relationship between corporate assessments of workers' development needs and WD strategies; how learning at work takes place; and what learning methods are used and their effectiveness. Focus was on practice in small and medium-sized enterprises (SMEs). Methodology included a literature review to identify the scope and extent of WD; survey of WD being undertaken in a sample of SMEs; follow-up interviews with managers in SMEs; and focus group meetings with employees in SMEs. Findings indicated that, while there are still many barriers to progress, WD seems to be gaining ground as a concept with both individuals and employers; securing greater employer involvement in learning within SMEs requires an emphasis to be placed on business support, rather than learning in itself; a wide range of learning styles and forms of learning must be accommodated, but a central theme is the need for flexible, time-efficient solutions; companies are finding innovative solutions; space as well as time may be a limiting factor in the extent to which certain types of learning can occur in the workplace; and very small firms usually face different problems requiring different solutions from those faced by bigger companies. Appendixes include: a review of related WD initiatives; and 19 tables illustrating characteristics of focus group participants. (Contains 46 endnotes.) (YLB)

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learning and skills development agency

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Working towards skills

Perspectives on workforce development in SMEs

Maria Hughes
Vince Keddie
Peter Webb
Mark Corney

research report

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Feedback should be sent to:
Information Services
Learning and Skills Development Agency
Regent Arcade House
19–25 Argyll Street
London W1F 7LS.
Tel 020 7297 9144
Fax 020 7297 9242
enquiries@LSDA.org.uk

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Summary

The Learning and Skills Development Agency (LSDA) undertook research into workforce development to consider the relationship between corporate assessments of workers' development needs and workforce development strategies. The project[1] also looked at how learning at work is taking place.

The research involved:

- a literature review to identify the scope and extent of workforce development
- a survey of workforce development being undertaken in a sample of medium-sized and small firms
- follow-up interviews with managers in SMEs
- focus-group meetings with employees in SMEs.

Key issues

- Since workforce development was identified as a priority by the third report[2] of the National Skills Task Force (NSTF) it has been the focus of a great deal of attention from government bodies and employer representative.

- Although there is only limited evidence in the UK of the contribution of training to the success of individual firms, the Performance Innovation Unit (PIU) of the Cabinet Office is firmly of the opinion that there is a direct benefit to business from workforce development. This view is supported by the employers and employees consulted during the project, who appear to be developing greater awareness of the benefits of developing the workforce.

- There are many examples of interesting practice and a plethora of initiatives to support workforce development. Few of these initiatives, however, have had a significant impact on the development of the workforce in small and medium-sized enterprises. Given the increasing importance of SMEs to the economy, this balance needs to be redressed.

- Securing greater employer involvement in learning within small firms requires an emphasis on business support, rather than learning in itself. Effective support will need far greater interaction between the various providers of support to ensure that information on needs is matched by the capacity of those responsible for delivering different types of support and business solutions.

- The workplace provides an environment which has the potential to develop many different types of skill and knowledge. In many small businesses, employers and employees are learning from their everyday experiences, perhaps in informal ways. Providers of support for small businesses should perhaps concentrate on the development of capacity to learn informally in the workplace, and the relationship between this informal learning and more formal learning.

- Workers in very small companies may not perceive tangible learning needs relating to their work role. Nevertheless, the workplace as a point where people gather may provide opportunities to reach out to a wider range of non-learners and so stimulate their desire to take part in learning. Policy on adult learning cannot rely exclusively on employers. Broader labour market and economic concerns, not to mention the individual career needs of individuals, will sometimes require provision delivered away from the workplace and funded accordingly.

- A general conclusion from the project is that very small firms usually face different problems, requiring different solutions, from those faced by bigger companies. Many very small firms may not want or need to adopt more formal approaches to learning and workforce development. Further, they may not perceive that they have any business-related or human resource-related, training needs. But the study also identified a number of small firms, with fewer than 20 employees, which had adopted formal systems and approaches to human resource development (HRD), in some cases within the framework of Investors in People (IiP). As with other aspects of support for SMEs, generalisations are not always helpful. The way learning is perceived clearly affects views on whether there is learning potential within everyday activities.

1 Introduction

The Learning and Skills Development Agency (LSDA) has been undertaking research into workforce development to answer the following questions:

- what is the relationship between corporate assessments of workers' development needs and workforce development strategies?
- how is learning in the workforce taking place?
- what learning methods are being used and how effective are they?

The focus of the research was primarily on practice in small and medium-sized companies.

The project aimed to identify key features of current practice in workforce development and suggest how this could be improved and extended. Its objectives were to:

- assess the extent and effectiveness of workforce development
- examine how priorities for workforce development are identified
- identify the types of learning that are taking place – in terms of content and delivery – and assess the effectiveness of this in relation to corporate and individual objectives
- develop criteria for good practice in supporting learning in the workforce.

The research involved:

- a literature review to identify the scope and extent of workforce development
- a survey of workforce development being undertaken in a sample of medium-sized and small firms
- follow-up interviews with managers in SMEs
- focus-group meetings with employees in SMEs.

A reference group was established with membership from CBI, the Small Business Service (SBS), QCA, ICL, the National Training Organisation's National Council (NTONC), the Institute for Employment Studies (IES), the Small Business Research Trust (SBRT), the British Chamber of Commerce, the Department for Trade and Industry (DTI), and the Department for Education and Skills (DfES). This group provided valuable advice and guidance throughout the project.

This report provides a commentary on how workforce development has emerged as a major government priority, and on related initiatives and interventions attempting to promote it. It concentrates on the potential for workforce development in SMEs, drawing on the views of employers and employees of small companies. The report also suggests criteria for good practice in the development of support for workforce development in SMEs. As such, the report should be of interest to policy makers and providers of support for small business, as well as providers of post-16 education and training.

Workforce development – an emerging concept

Workforce development was identified as a priority by the third report of the National Skills Task Force. Since then, workforce development has received a great deal of attention from government bodies and employer representatives, extending beyond the DfES and DTI to the Performance and Innovation Unit (PIU) of the Cabinet Office. A review of related initiatives aimed at stimulating the demand for learning and workforce development is given in **Appendix 1**. At the same time as the LSDA investigation was being undertaken, the PIU led a project which focused on the development of a strategic framework for workforce development, and the identification of a range of policy options to increase its extent and take-up.[3] The extent of this interest illustrates the awareness of government and employers of the economic importance of workforce development and its contribution to business success.

However, as well as promoting workforce development there is also a need to ensure that learning in the workplace is effective. The LSDA therefore undertook research into this aspect of workforce development. The project examined the range of the learning methods being used in workforce development and their effectiveness in developing workforce capacity. The project built upon previous research undertaken by the Further Education Development Agency (FEDA – now LSDA) on developing and sustaining employability, and work with DTI and DfEE (now DfES) on corporate universities.

There are many examples of interesting practice and a plethora of initiatives to support workforce development. However, LSDA's previous research into work-based learning[4] revealed a lack of robust examples of learning in the workplace that integrated on- and off-the-job experience, a key ingredient of learning in the workplace. A central concern of the LSDA project was to examine how learning in the workplace is being undertaken, and the extent to which the content of the learning experience supports skills development and business success.

Identifying and disseminating good practice will not of itself bring about improvements. The project therefore also proposed criteria for good practice to provide guidance on how learning in the workplace may be developed and extended.

2 A rationale for developing the workforce

The motivation to develop the skills of the workforce should ideally come from the value placed by companies on the development of their staff as 'human capital'.The estimate of spend by UK employers on training is said to be £600 per employee, per year,[5] which compares favourably with expenditure in other countries. However, the estimate of spend is likely to include staff replacement and opportunity costs, rather than representing the actual costs of training. The provision itself may be sporadic, inconsistent and only approximately linked to the business aims of the company.Beneficiaries of the training are likely to be the already well-qualified, rather than people without qualifications. Both the Institute for Public Policy Research (IPPR)[6] and the National Skills Task Force noted[7] that those who are among the more skilled and better qualified parts of the workforce disproportionately engage in in-service training. It cites evidence from the Labour Force Survey (Spring 1998) showing that over 40% of those in professional or associated professional occupations had received training over a recent 13-week period, compared to less than 20% of craft employees and fewer than one in seven operatives.

Businesses themselves recognise these shortcomings. The emergence of the 'corporate university' stems from the desire of American companies, like Motorola, to systematise and streamline their company's learning and development models. Increasing numbers of British businesses have recently established corporate universities, although not all are branded as such. These go further than typical HRD functions in many firms, providing a range of learning experiences and some accredited courses. At best, they enable the organisation to focus on the specific learning needs of its own staff related to the needs of the business and its particular market or sector.

Government initiatives, such as Ufi and Learndirect, and Investors in People are also aiming to improve the skills of the UK's workforce. The Learning and Skills Council (LSC) is itself charged with developing a national framework for workforce development and issued a draft workforce development strategy[8] in May 2002 for consultation with key partners; the National Training Organisations and emerging Sector Skills Councils (NTOs/SSCs)[9] have been working with firms in their sectors to prepare sector workforce development plans.

Defining workforce development

There appears to be some variation in the meaning given to the term 'workforce development', and to the target group of beneficiaries. Early proposals from the PIU reflected current government priorities in defining workforce development as: '...activities derived from business need which increase the knowledge, skills and abilities and capacity of individuals to participate effectively in the workplace and thereby improve business performance.'[10]

More recently, the PIU have defined workforce development as consisting of:

'...activities which increase the capacity of individuals to participate effectively in the workforce, thereby improving their productivity and employability'.[11] The PIU considered the target group to be people in work, or actively seeking work, who are currently operating without Level 2 qualifications. The National Skills Task Force used the term 'workforce development' to distinguish young people at the entry or pre-entry stage of employment from the mature workforce. Both PIU and the National Skills Task Force were concerned with semi-skilled and unskilled workers with modest attainment in terms of formal qualifications. The National Skills Task Force, in particular, stressed the need for such workers to develop 'intermediate skills' and progress to craft and technician levels to support the increasingly complex skills demands of a modern economy.

Workforce development generally appears to exclude management training and development, although key and basic skills training are included in Union Learning Fund developments and 'personal development' is encouraged in some initiatives, such as Employee Development Schemes (EDS).

For the purpose of the LSDA investigation, workforce development was taken to mean training and development activities for the existing adult workforce, which relate to improvement of performance within current or future job roles.

What learning in the workplace?

Workforce development encompasses both job-specific training conducted by and for employers of any size, and more generic vocationally-related skills. As such, it may include:

- knowledge, skills and competencies required to perform specific tasks
- basic skills
- transferable skills:
  - interpersonal skills
  - reasoning and judgement
  - coordinating skills
  - information skills
  - originating skills
- core skills
- key skills.

Some of these skills are associated with employability, which may also encompass adaptability; change management; social and team- working skills; thinking skills and creativity.

Workforce development may involve:

- active learning in the place of work to develop skills and competitiveness to improve performance in the current role or in a new role in the near future
- education and training undertaken by current employees leading to qualifications related to occupational knowledge and skills
- learning which is promoted by the company, and is located or marketed within companies.

Learning in the workplace is an important part of workforce development, but there are other ways in which the workforce may be developed and a wide range of methods may be used. The range includes open and distance learning (paper- or ICT-based); day, evening and block-release courses; short training courses on specific topics, like health and safety; bespoke courses for particular employers; training provided by suppliers of kit and equipment. The workplace provides a learning environment that has the potential to develop many different types of skill and knowledge, but it is not the sole location for training to improve the skills and knowledge of the workforce. The demands of the workplace, however, can provide a context around which the content of learning activities can be based.

Training as an investment

The PIU is firmly of the opinion that there is a direct benefit to business from workforce development. Its report, *In demand: adult skills in the 21st century*[12] provides a vision for workforce development: 'In 2010, the UK will be a society where Government, employers and individuals actively engage in skills development to deliver sustainable economic success for all'.

Nevertheless, there is only limited evidence in the UK of the contribution of training to individual firms. In a review for the PIU, Machin and Vignoles[13] note that there is little evidence in the UK to prove the assumption that training is beneficial to firms and that it creates a more productive workforce. On the other hand, they review evidence from other countries, which, on balance, suggests a positive contribution from training to firms' performance. They also note that training contributes in other ways; for example, to improving employee commitment, fostering a common firm culture, and recruiting good- quality workers.

It is important to distinguish between direct benefits to individual employers and:

- improvement to the national economy as a whole
- benefits to individuals
- improved productivity to groups of employers within a specific sector.

Employers may be inclined to invest in training because human capital theory argues that an economic return on this can be anticipated in terms of productivity gains.[14] A wide range of factors may influence the extent to which a firm invests in training its employees. These may include the levels of skills required to carry out its activities, the extent to which it can continue to operate with its existing processes and technology, and the availability of requisite skills in the external labour market. However, 'poaching' will always be seen by some employers as cheaper than, and preferable to, investing in training: this further engenders reluctance to train, especially in very small companies.

The incentive for workers to take part in training will also vary depending on the expected outcome of higher wage levels in the longer term.

The National Skills Task Force research report[15] notes that smaller firms, particularly those employing fewer than 25 people, are less likely to provide training. The report quotes evidence from the Skill Needs in Britain survey[16] showing that only 36% of firms employing fewer than 25 people provided any off-the-job training for their employees, compared to 79% of those with 25–49 employees, and 92% of those employing 200 or more.[17]

Ewart Keep observes that 'there are difficulties with employer-provided training in non-work related, general or transferable skills, ie precisely those skills that might support the concept of "employability".[18] He cites DfEE-sponsored research on employers' attitudes towards adult training which claimed that most employers provide training only if it yields business benefits, usually restricting this to job-specific skills training.Keep notes that more general training, while often acknowledged as valuable, is mostly seen as the responsibility of either the individual or the government.

Declining capacity to train

The number of British-owned large companies and key strategic industries with the economies of scale to support the capacity to train has also declined over the last 20 years. This has had a significant impact on both initial skills development and updating. The economic conditions of the 1980s, characterised by high youth unemployment, prompted successive governments to develop a range of programmes aimed, in their early manifestations, at reducing the numbers of the long-term unemployed.

The levy system, which was in place up to the middle of the 1980s, required all but the smallest firms to invest in training. This interventionist approach is currently judged to be overly bureaucratic for an enterprise economy, and voluntarism has since been the main tactic to encourage employers' commitment to training.

A succession of government policy initiatives such as the Youth Training Scheme (YTS) were introduced in the late 1970s and the 1980s There were many barriers to prevent such schemes from delivering a robust initial vocational educational training (VET) system. Trades union opposition to job creation programmes replacing real jobs limited the training elements within early schemes. The length of time that learners could stay on such courses was often too short to enable beneficiaries to successfully complete their training.

However, these programmes later became proxies for an initial VET system, especially when the achievement of vocational qualifications was stipulated as a prerequisite for funding for many government programmes for the unemployed during the 1990s.

These initiatives tended to carry very few direct costs to employers and provided financial support to firms to employ young people or provide a training place. Furthermore, they may have increased employers' reliance on public subsidy for training insofar as employers were taking on the unemployed via such schemes instead of recruiting in other ways.

Lack of investment in VET

The lack of investment in vocational skills training and an absence of deep learning at initial experience levels has undoubtedly resulted in a legacy of an unskilled workforce, without the capacity to develop their skills further or transfer learning to new contexts.[19] There has been a major growth in the numbers of young people remaining in education after age 16, and gaining qualifications to Level 2 or above. However, the UK still has one-third fewer people qualified to NVQ Level 2 than either France or Germany, and only half as many people qualified to Level 3 than Germany.

The implications of the lack of investment in vocational training are becoming apparent, often with disastrous results. There are severe skills shortages, for example, in the gas installation and maintenance sector, which is characterised by a preponderance of micro businesses which do not invest in training. Similarly, in the rail industry, only one-third of 1% of employees hold a relevant vocational qualification.[20]

In a fast-changing world of work, the ability to adapt and develop new learning and skills is a crucial ingredient in a successful economy. Globalisation and the knowledge-driven economy require the UK to develop a more highly-skilled workforce in order to compete within high-value-added sectors of the world economy, such as new technology and biotechnology. This heightens the need to upskill the current workforce.

More recently, the chronic lack of good basic skills among the working population was highlighted in the Moser Report.[21] The report outlined the implications of basic skills deficiencies for the future development of the economy, including the inability of the individual worker to engage in or see the benefits of further specific training. This point was echoed by the final report[22] of the National Skills Task Force in 2000, which noted: 'a bigger difficulty is the inability amongst many adults to recognise their skill gaps...unwillingness to acknowledge them for fear of embarrassment or even job loss.' Employers' reluctance to fund basic or generic skills training in the working population, since this is generally seen as the responsibility of the individual or the government, presents a challenge to government and the economy.

Improving the skills of the current workforce

In its third report, the National Skills Task Force[23] proposed targeted action to improve skills in the current workforce. This report was extremely influential in attracting attention to the need for a sustained policy for workforce development. It suggested that action was required in key areas, these being:

- upgrading the general education and training of those who left school prior to the 1980s
- reducing the 20% of the working population with poor basic skills.
- Income-contingent loans
- improving training for the workforce within SMEs; developing learning networks to pool training arrangements, supported by Ufi
- promotion of lifelong learning
- promoting informal learning in firms, and developing accreditation of prior learning (APL)
- promotion of best practice in management by the Small Business Service and training new managers in SMEs.

Coordinating workforce development initiatives

Although there is a great deal of interest in workforce development, coordinating the activities of government departments and other interested bodies is a major difficulty. The PIU's Workforce Development Project examined the effectiveness of the UK's approach to workforce development in terms of its impact on the promotion of productivity, economic performance and opportunities for individuals to realise their potential.

> 'As part of the Cabinet Office, at the centre of government, the PIU is well placed to take the wider view...It [Workforce Development] is very much a cross-boundary issue and the PIU will work with key stakeholders inside and outside government to reach its conclusions.'[24]

A changing employment context

The interest in workforce development is inextricably linked to the growing awareness of the link between economic competitiveness and education and training. Changes to employment patterns, occupational sectors and the characteristics of the employment base have recently been apparent in the UK and have stimulated the need for continuous professional development (CPD) and systematic updating of the existing workforce as well as pre-service VET.

Many employers have reported skills shortages, where job applicants lack the appropriate skills, and skills gaps: the National SkillsTask Force reports that, in 1998, some 15% of firms in the Skill Needs in Britain survey[25] reported internal skills gaps, whereby their employees' current skills were deemed insufficient to meet business objectives.

While the skills required by employers are increasing, as many as one in five adults in the UK have poor basic skills. Many of these people are concentrated in relatively low-grade manual jobs. These basic skill deficiencies need to be addressed to satisfy the increasing skills needs of employers.[26]

Training the current workforce

The current interest in workforce development thus can be traced to earlier concerns about the purpose and content of vocational education and training – at the pre-service phase, as young people enter the workforce for the first time, and within in-service training and upskilling for the workers of the day.

The combined demographic and structural changes in employment patterns increase the need for investment in the development of the current workforce employed in SMEs.

Many of the initiatives and support measures for workforce development have emanated from, or been targeted at, large companies. The increasing importance of small companies to the UK's economy means that efforts to develop the workforce within small firms are also required. There are many factors which make this task difficult, including the tendency for small firms to display:

- a short-term view of development needs
- lack of resources, both cash and time, to devote to training
- fear of poaching and demands for increased wages
- absence of the right kinds of training and support
- little trades union involvement and, until recently, little take-up of Investors in People (IiP).

The problems relating to the development of the workforce are clearly more acute in small and medium-sized companies, which make up 99% of the total stock of companies and provide 44% of employment. It is within SMEs, potentially, that much future growth in the economy may take place.

3 Workforce development in SMEs

While much has been written about workforce development in large companies, little information is available on the needs of SMEs in relation to developing their workforce. The combined demographic and structural changes in employment patterns increase the need for investment in the development of the current workforce employed in SMEs. Because of this, the project undertook primary research in the form of a postal survey of small employers and focus group meetings with employees in small firms in order to ascertain their views on workforce development, and to identify current practice in its delivery.

Views of owner/managers of small companies

A postal survey was conducted which attempted to identify the extent of training currently being undertaken in companies. Questionnaires were sent to 2000 SMEs across England and Wales, distributed as follows:

- 500 to companies with 2–10 employees
- 1000 to companies with 11–20 employees
- 500 to companies with 21–50 employees.

The businesses covered the manufacturing, retail, repair, tourism, food, transport, telecommunications, finance, property, legal accountancy, and management sectors. Government, education and health were excluded.

Overall, 85 returns were received, giving a 4.2% return rate, with the majority of returns coming from companies with between 11 and 20 staff. Most respondents (94%) were managers, and the remainder were in personnel and training roles. The modest response rate and management role of the respondents clearly needs to be taken into account when interpreting the results of the survey. However, there are interesting findings that throw some light on the extent and effectiveness of learning in the workplace.

The survey asked a number of questions relating to employers' views on workforce development through training and development. A large majority (90%) of respondents agreed that training and development was necessary for business growth, 83% agreed that it leads to better productivity and only 12% agreed that workforce development was not necessary in the present circumstances.

For the majority of employers completing the survey, training for the workforce was primarily designed to meet business targets and aims. One company claimed to develop the competencies required to meet expected growth areas. Another develops employees' skill and knowledge to match their aptitude and the job with the aim of enhancing the firm's capability. One company ensures that the entire workforce has good basic skills to enable them to complete the core work of the business.

Poaching and wage increases

A relatively small percentage (15%) agreed that developing the workforce would lead to increased turnover of staff and 22% that it leads to poaching of staff. However, over a quarter of respondents (29%) of employers in companies employing fewer than 11 staff thought that developing their workforce would lead to poaching. Overall, many respondents (48%) were unsure whether training and development would lead to demands for wage increases, although over 30% agreed and 20% disagreed with this.There was greater agreement with this statement (39%) in companies employing between 11 and 20 staff.

Most saw training and development as necessary for individual employees' growth and over 85% agreed that it leads to better-motivated staff. Only 20% agreed that training and development disrupts work.

Who should pay?

A majority (66%) thought training and development should be the responsibility of employers, with a less certain agreement that it is up to government to fund and organise workforce development (32% and 11% respectively).

Employers generally did not see their employees as having responsibility for organising or paying for their own training. A large number of respondents disagreed with the statements that employees should fund or organise their own training and development (53% and 48% respectively). Forty-three per cent of all respondents, and 63% of respondents in firms employing between 11 and 20 staff, agreed that training and development should be provided in work time. A relatively large number of respondents gave non-committal responses to these statements.

The learning process

There was no consensus that learning is best done on the job. Forty-three per cent of respondents agreed with this statement, but a high percentage (48%) was undecided. There was strong disagreement (43%) with the statement that workforce development should be undertaken using ICT, and 43% were undecided about this.

Who provides learning?

Training is carried out by a variety of people, some of it in-house. Colleges (50%) or training providers (64%) undertake a high percentage of training. Companies employing fewer than 11 staff are more likely to use colleges and training providers than firms with between 11 and 20 staff.

The manager is said to provide training in many cases (65%), the employee and the supervisor less frequently overall (42% and 33% respectively). In very small firms with fewer than 11 staff, the employee or supervisor rarely provides training (6% and 9% respectively).

Among the firms that responded to the postal survey, training was mostly provided either by private training suppliers or suppliers of kit or services; or through in-house training using the firm's own staff. The reasons for this were either that training came with the technology or supplies being used, or where a choice was available, a number of companies thought that private trainers were more flexible in terms of provision and effective in the training provided.

A third of respondents presently use training from suppliers, and 35% have used this previously. Sixty-nine per cent of current users thought this to be useful, although 31% were undecided.

There appears to be some overlap in the responsibility for the organisation of training. Seventy-eight per cent of respondents overall said that the organisation of training and development is the responsibility of line managers. A third of respondents thought it was the responsibility of individuals and 19% the HR department. In companies employing fewer than 11 staff, the organisation of training was seen to be the responsibility of the individual by 39% of respondents.

Modern Apprenticeships and Vocational Qualifications

Twenty-three per cent of respondents had current experience and 27% previous experience of using Modern Apprenticeships. A large majority of current users (88%) thought them useful or very useful.

Rather more respondents claimed to be users of Vocational Qualifications (53%), and 40% said they had used them previously. Only 2% were using Learndirect courses.

Priorities for workforce development

The project explored the way in which priorities for workforce development relate to corporate or individual needs.

Respondents to the postal survey of employers (by virtue of having taken the trouble to complete and return the questionnaire) are likely to have an interest in training and development. Nevertheless, their views on how priorities relate to their business needs may have wider applicability.

Identifying training needs

A majority of survey respondents (68%) said they identified training needs through staff appraisal. Others used either a business plan (31%) or informal sources (48%). Forty-eight per cent of all respondents said that new technology was creating the need for training.

Linking training to business aims

Many survey respondents (71%) said they tailored training and development of the workforce to fit the company's business aims.Examples of this were given, as follows:

- breaking the business plan into tasks analysis/skill audit and needs analysis
- identifying each department's role in business growth, then planning training
- CPD suited to the aims of the business
- enhancing the firm's capability by developing an employee's skill and knowledge to match their aptitude with the job
- considering the training and development needs of the company five years on
- planning staff capabilities to enable company to achieve targets
- training to keep up with advances and new developments in the product range
- developing competencies to meet expected growth areas
- apprenticeship training
- the Investors in People process ensures that company objectives are filtered down to departmental objectives which are then related to individual training objectives.
- core functions are identified first, and then the company looks for gaps in the existing skills of the workforce. Further training is then organised based on these needs
- training is dictated by changing conditions and regulations plus use of new technology
- the 3-year business development plan is updated each year and this informs the training plan.

Support for learning in the workplace

Forty-six per cent of respondents were current or previous users of Investors in People – a relatively high percentage for SMEs. A clear majority (73%) of present users found it very useful. However, the percentage of current or previous users of IiP was much smaller in firms with less than 11employees and those with between 11 and 20 staff. Only a small number of respondents overall (11%) and 12.5% of micro businesses were using Individual Learning Accounts (ILAs) at the time the survey was undertaken, although 21% overall said they had previously used them.A majority of those with experience of ILAs found them to be useful

A relatively small number of respondents (28%) said they were currently being supported by Business Links – perhaps reflecting changes in Business Links arrangements – while 46% had used this source of support previously. Only 6% of micro businesses were currently using Business Links. Over 80% of those using Business Links currently thought them useful or very useful.

Implications of the survey findings

The respondents to the survey generally displayed positive attitudes to training and development. This may be partly explained by the relatively high numbers of respondents involved in IiP. Although the sample is small, the views expressed may be indicative of a change in attitude of SMEs towards workforce development and involvement in training.

Exploring the employers' perspective

In order to explore the issues raised in the postal survey, 12 SMEs were interviewed, none employing more than 64 people. Small and medium-sized enterprises are not a homogeneous group and defy strict categorisation. That said, these face-to-face interviews with SMEs provided examples of strong commitment to learning among some quite small organisations. All claimed to make systematic attempts to identify the training needs of their employees. For example:

> In a management consultancy (10 or fewer employees), company staff training needs are identified in an *ad hoc* way throughout the year, and also by use of an appraisal system. Opportunistic training to meet particular staff needs as they occuris provided through conferences and other events.

> In a cheese-making creamery (45 employees), the quality manager's remit covers training. Training needs are identified during regular meetings that the quality manager holds with other managers. They tend to identify very specific needs that are met internally.

> In a hotel-booking agency (32 staff), one of the two partners has 'job chats' with senior staff on a monthly basis. There is also an annual appraisal, identifying their relatively immediate training needs and what they aspire to. The supervisors, in turn, go through a similar process with their staff.

> The business plan of a graphics origination and photographic studio (64 employees) is based on the identification and development of new products and processes. These create new training needs that must be met before new processes or products can be identified. The firm is an Investor in People, and training needs are also identified through the development reviews.

A museum (with 24 employees) is an Investor in People. It has a written training policy, which has two objectives:

- all staff have to have the skills and knowledge required for their job
- where possible, to enable staff to acquire new skills and knowledge to aid their personal and career development and increase job satisfaction.

The museum's administrator prepares an annual training plan based on organisational, departmental and individual objectives. Individual job descriptions and job plans will identify personnel objectives. Staff have a six-monthly review, which encompasses their training plan. The museum plan is reviewed annually.

Systematic but informal

As these examples illustrate, even smaller businesses can adopt a systematic approach to their training needs, and may see advantages in testing their approach against the Investors in People standard. Indeed, one of the smallest firms visited, a manicure salon employing nine staff, reached the Investors in People standard within a year of start-up. The owner of the business had worked in a number of blue-chip firms prior to starting her own business and introduced some of their systems and approaches to her new business.

> 'I talked to them [the staff] about it (the IiP award) saying they were the most important thing in the business. The Award says I'm investing in the business. The staff find the interviews very interesting. We have got the Award, and it's good with staff and customers.... I wanted an independent person to come in and see if there was anything we needed to tweak – IiP did that. It was also nice to have someone say we were doing the right thing. There was a value to me in getting it early, as it would have picked up any mistakes.'

The follow-up interviews show that it is by no means inevitable that small firms would not analyse their training requirements or provide training for their staff. But it is nonetheless probable that the smaller the firm, the less likely it is to engage in formal training. The requirements of many small firms, even if they are committed to training and staff development, tend to be quite specific and much of their training is of short duration and generally not accredited by formal qualifications.

Focus on the business

Owners and managers of SMEs in the follow-up interviews were clear that training and staff development had to be directed towards business needs, but most were also clear that it was important for the individual's own development. The director of the Chamber of Commerce agreed: 'The two are inseparable.' The cheese-creamery manager noted that, while their training was generally very job-specific, with people being developed 'to do the job properly', the firm has been prepared to support more in-depth training, such as an ONC and a degree in food science. The manager also pointed out that the company would be looking for a business benefit, however loosely defined: she would not encourage 'my deputy to do carpentry'!

Formal or informal learning?

The relative merits and disadvantages of formal and informal learning were discussed with employers during the follow-up interviews. Workers not used to, or previously unsuccessful, at formal learning leading to qualifications may be discouraged from trying again. The success of the novice learner's first attempt at learning since getting a job is crucial to renewing his or her confidence. Learning which is delivered and assessed formally may revive unhappy memories of tests, lengthy written exercises and numeracy problems which proved difficult in the past.

Moreover, informal, in-house training may build and transmit the values of the company. A downside of this method, however, is that bad habits may be transmitted over time, unless some measure of external evaluation or supervision is built into the process.[27]

> A graphics and design company that took part in a follow-up interview thought that informal learning was very important, and regarded it as the firm's major form of learning. Software upgrades make it very important for staff to sit down together and learn. The firm uses its website to share problems and learning solutions and it 'becomes a communal thing'.

How training is delivered

Training for the companies in specialist underpinning knowledge was provided by FE colleges, by trade associations (such as the Screen Printers Association Qualification Centre), or by the trainer attached to the supplier. Often these are the only specialist courses or trainers within a company's occupational sector or local area.

Managers and senior staff often received more (and longer) training than other staff. Management training or training by external trainers of senior staff may be delivered to one or two managers and then cascaded to other relevant staff internally. If such staff are not competent in either training methods or in new technology to a sufficient level, then specialised external trainers may be bought in.

Availability was a key factor for those companies interviewed. If there was only one specialised trainer or source of training provision in an area, the key decision-maker on training often had no alternative but to use them. Companies also tended to be conservative about the training purchased. If the results appeared satisfactory, there was no reason to change.

The owner/manager of the graphics origination and photographic studio said that the firm had got involved in workforce development because of the need to multi-skill its employees and increase their flexibility. Development reviews are held to 'expand people's skill base and make [working] life more interesting'. The firm was:

- paying the fees of a young woman studying for a master's degree in communications
- allowing one of its employees to complete an Advanced Modern Apprenticeship in printing, even though the framework was not really appropriate to its business
- supporting a young person through day release to gain an accountancy technician qualification.

In all three instances, the firm expected to gain some advantage from the expanded knowledge of its employees, but in no case was the training wholly specific to the person's job.

The managing director of a screen printing and engraving firm with 32 employees said that their target was to have at least three people trained to operate each of their machines. But the firm goes beyond only addressing its business needs, acknowledging that there is a balance between individual aspiration and business need. It would not guarantee to meet every request, nor could it necessarily meet quickly those it did recognise, but if possible, it would do so: 'The emphasis here is on developing people, pushing them to the edge of their 'comfort zone', rather than just training. We have several examples where people have moved in not obvious routes, eg from the shop floor to artwork.'

While the firm's managing director stressed the need for a business justification for training and noted that most of their requirements were for training that was of short duration and non-certificated, the company was also prepared to consider supporting activities that were less task-specific. They saw this as benefiting both the individual *and* the firm.

Others interviewed also supported this broader view.

The quality manager of the cheese creamery saw the value in supporting her deputy to do an ONC in food science as giving her 'the ability to answer questions'.
The owner of the manicure salon suggested that training to meet individual interests could also be used as an inducement to staff to learn 'the basics'. One salon assistant was keen to develop her skills as a nail technician, wanting to attend a master class. However, she also needed to improve her sales techniques, which the owner saw as the priority: therefore she would need to take sales training before going to the master class.

Raising morale

A common theme in many of the interviews is the importance of training and individual development to staff morale and commitment, and thus to the long-term interest of the firm. The partner in the hotel-booking agency said that many of her employees were women aged over 40 who had returned to part-time employment after raising their families. She argued that learning builds their confidence, and adds to the value they contribute through their experience of life. The firm also had two young people doing Advanced Modern Apprenticeships, which were viewed as improving their morale and encouraging them to stay with the firm.

The managing director of the screen printers gave an example of a woman in the sales office being funded to study for a diploma in supervisory management. The firm did not have an immediate need for this training, but regarded the woman as having potential and saw this support as helping to maintain her motivation. At the end of the interview, he said: 'An outcome of training a happy workforce is that we hardly lose anyone, and have a very low absenteeism rate – less than two days per year'.

A plastic mouldings firm (17 employees) is using NVQs widely, the director arguing that training gives people a belief in themselves and the confidence to respond to challenge.

> 'For example, one staff member had problems with school; he suffered from dyslexia. We took him on, but found that the standard work instructions were useless to him. We broke them down, put them in large print, etc. It took three to four times more time to train him than the others, but it gave him confidence. He went on to become a supervisor, and stayed in the firm. All we did was *the right thing*: we trained somebody. He's [a] very good example of what training can achieve. He won the training and excellence award for young people from the local TEC.'

He also said: 'People have to enjoy what they do at work. You can't keep the momentum going if you're not constantly training people, communicating what needs to be done.'

Investors in People and other quality kitemarks

Although Investors in People has only recently begun to make inroads into small firms, over a quarter of the SMEs responding to the postal survey were currently involved in it. Of the 12 firms in the follow-up survey, six were recognised as Investors in People.

The Civil Service healthcare company considered IiP to be 'very effective', the new chief executive feeling that it 'pointed the company in a new direction' and would fit with the new management structure.

The graphics origination firm had decided on IiP rather than BS570/ISO9000 because they thought it would have a more significant impact on quality. It had provided the impetus to the firm for setting up its training systems. 'It's good if you take it on board as company culture and not just as a man with a clipboard'.

The plastic mouldings firm had decided to work towards IiP while it was also working towards ISO9000, seeing the standards as complementing one another. It was also linked to work they were doing in introducing NVQs into the firm. They obtained recognition within nine months.

> 'I find it horrendously useful. We were doing a lot anyway, but one big gap was business review: IiP forced us to sit down and talk. It deals with the individuals in the company, and also looks at the company as a whole – where we are, where we want to be, and how to get there. It's given us a formal system for appraisal, a formal system for business review, and ways of measuring developments. We're much more aware of what training costs are.'

One of the firms was working towards IiP recognition, while another saw its value but had not made any commitment.

Even the one firm that had clearly decided against involvement did so on grounds of cost:

> 'We'd love to do it... [But] it costs money, and as a small business... There's such a lot that has been thrown at us – the extra minimum wage, stakeholder pensions...We need bodies to deal with it all: we haven't got them so we [the two partners] do it.'

Take-up of support

The postal survey indicated scarcely any involvement by respondents with schemes such as the Union Learning Fund or Learndirect, or in employer-led approaches such as Employee Development Schemes.

As might be expected from a mainly non-unionised group, the SMEs interviewed had no knowledge of the Union Learning Fund. Nor had information on Learndirect made any impact on these employers. While several had general sympathy with the aims of employee development schemes, none of these employers felt that such approaches were relevant to SMEs, arguing that there had to be *some* link between employee development and the business objectives of the firm. None considered the possibility of including such arrangements as part of their pay and benefits packages.

There was fairly widespread knowledge of Individual Learning Accounts (ILAs), and staff of five of the 12 SMEs had obtained accounts. A Chamber of Commerce was very supportive of the concept and said they would use it where possible. A healthcare company uses a recruitment company that issues vouchers for training. Three of the companies mentioned that their staff were using ILAs for IT training, and the manicure salon's staff were using their accounts to pay for master classes in various aspects of manicure and pedicure. In all these cases, the company was funding the individual contribution. Interestingly, bearing in mind the lack of knowledge of a number of other initiatives, a number of the SMEs mentioned that local training providers were promoting ILAs in their general marketing activity.

Only three of the SMEs employed Modern Apprentices, and two of these reported problems with the programmes. The building-hire company had taken on an 18-year-old apprentice, but the owner/manager believed that the Level 3 NVQ requirement, particularly the need for supervisory skills, was too high for the firm's needs. In addition, the provider assessor was unable to assess the technical skills within the workplace.

The graphics origination company had also agreed to one of its staff members undertaking a Modern Apprenticeship; but there was a mismatch between the nature of the firm's business and the printing framework, which was the best fit to the job role. The owner/manager did not believe that they were obtaining full value from the apprenticeship. However, he did support the idea of apprenticeship in principle, saying that off-site training prevents staff from being too narrowly focused. It benefits them by providing an overview of the industry in which they work.

The partner in the hotel-booking agency was more satisfied with the Modern Apprentices that she employed. Two of her staff members were undertaking apprenticeships – one in customer service, the other in business administration – and another apprentice would be joining in the near future. The partner felt that the training was of high quality and would contribute significantly to staff morale and retention. She also said that the apprentices were making a valuable contribution through carrying out various projects that, for example, documented the firm's processes.

Attitudes to Modern Apprenticeships were not always negative, even among non-users. Several of the employers were favourably disposed, but did not believe that *their* business could support an apprenticeship at the current time.

Among those who did not employ Modern Apprentices, several felt that they could not cover the requirements of the NVQ, or that the framework was not sufficiently relevant to their business. The managing director of the screen printers did not want to employ 16–18 year olds, saying that there were often problems of commitment and retention. He preferred to recruit from the 20–34 age range.

Qualifications in the workforce

Accreditation of work-based learning is increasingly in the form of NVQs, which provide formal recognition of learners' competence or ability to complete a task or job to a national standard. There remains some ambivalence about NVQs among employers, as the quotation below illustrates:

> In the screen printers and engravers' company, most of the staff are either taking or have taken NVQs in printing at Levels 2 or 3. The manager's view is that while not necessarily doing anything for the business, the qualifications enable staff to demonstrate that they have the skills to do the job.

Accreditation of formal learning in the workplace can be positive in terms of motivating the learner and enabling employers to place a premium on training. The PIU Workforce Development Project Guidelines[28] flag up the negative impact on investing in training that can be caused by poor certification or badly understood qualifications.

NVQs

National Vocational Qualifications (NVQs) were generally familiar to companies, and most of the follow-up interview firms used them. Views about NVQs varied. The manager of the Civil Service healthcare company thought they might 'be useful for people with a poor education, but for others they did not teach a great deal'. The company had taken young people from school, who then undertook NVQ Level 2 in business administration, but was not happy with the recruits and found the NVQ too bureaucratic.

The Chamber of Commerce used NVQ training with newly recruited, younger staff, but felt they 'were not related directly to staff skills' and that experienced staff did not see the need for them. In addition, there were concerns about consistency of standards between different providers and assessors.

Other users of NVQs were more positive, feeling that they contributed to staff morale and thus contributed to effectiveness and retention. The screen printers used NVQs and believed that they were of real value. However, the managing director also said that they did not suit everyone's learning style and that some members of his staff preferred to obtain other qualifications. The plastic mouldings company noted that the introduction of NVQs into the firm had had a major impact on staff morale and their ability to do the job. In turn, this was seen as contributing to a significant improvement in operational effectiveness.

Several of the 'non-users' of NVQs had considered them. The graphics origination firm said they were not pitched at a useful level for the firm. They had tried to resolve the problem in discussion with the training and enterprise council (TEC), NTO, local college, and Business Link, but had failed to identify a suitable option.

NVQs may not be appropriate for some companies with highly specific skills needs and processes. In the case of the cheese creamery, for example, this applied not just to cheese making, but also to their particular processes, so finding an 'off the shelf' qualification is problematic. This could apply to all qualifications, but may be particularly pertinent to NVQs in that they attest to skills and competences acquired and demonstrated in the workplace. If the workplace experience is highly specialised, it is unlikely to be applicable to a sufficiently large number of people to warrant a dedicated qualification.

Cascading learning and training

Cascading learning, whereby the information gained in a formal training setting is passed on to fellow employees in the workplace appears to be fairly commonplace in SMEs. It has advantages, such as enabling learning at work for small and medium-sized businesses where the opportunity cost of releasing all staff for formal training is prohibitive.

In the case of management training within SMEs, having both the manager and a key trainer released could result in both management and 'training the trainer' skills being acquiredl and then passed on to other staff at work.

Problems associated with cascade methods arise when the original training is not sound, or the person undertaking the cascading has an insufficient grasp of the issue or poor communication and training skills. The greater the number of steps in the chain required to cascade knowledge and skills within the company, the more the chances are that each person will put an interpretation on the information. Checks on learning need to be undertaken in order to ensure its quality and relevance.

Measuring effectiveness and impact of training

A key element of good workforce development, which is emphasised in Investors in People, is the evaluation of learning and development activities, and the use of this to plan further activity. The follow-up interviews asked employers how they measured the effectiveness of training.

The firms varied in the manner and extent to which they assessed the impact of training activities. All of them recorded training costs, but not all did much beyond this. The management consultancy measured training costs, but had no means of measuring effectiveness or the rate of return to the company. The cheese-making creamery did not systematically assess the impact of training. Indeed, the quality manager, while conceding that it was possible to observe the outcome of, say, forklift truck training, said that it was often impossible to 'baseline' such things as food hygiene because it was mandatory to attend the course *before* working in the creamery.

Firms which made more systematic attempts to assess impact looked at either general outcomes or the performance of individual staff members.

Some firms have in place a range of outcome measures of performance, which could be used to assess the impact of learning and development. The hotel-booking agency looked at things like calls per hour, targets hit etc. Baselines would be set and improvements measured. The screen printers would look at behavioural and motivational factors, such as levels of absenteeism and turnover/retention. They would also look at the impact on productivity and scrap rates.

The Civil Service healthcare company adopted a largely informal approach, the manager looking at the accuracy of claims being handled. He had a 'gut feeling' if they were right.

The manicure salon could look for the direct impact of the sales training on sales performance. With skills training, the measurement would relate to observation of the quality of the manicure and the time taken, along with informal soundings of customer feedback.

The plastic moulders used their NVQ system to measure what staff members know and how that knowledge is applied. This firm, too, looked at the scrap rate as an indicator of the general effectiveness of training. The director was in no doubt as to its effectiveness:

> 'When we started in 1996, we inherited from [the previous employer] a scrap rate of 98%; we brought it down to 20% in three months. There were only three of us, but we were a dedicated group of people. Over the next period, we whittled it down to 8%. We always had a training culture, but we then took on NVQs and watched it [the scrap ration] drop regularly: last year it was 1.7%. *That's my secret for training!* We probably saved about £15,000 last year.You get people aware of what they're making, so they can almost 'read' the material by looking at it. Instead of getting on a slippery slope, we identify the problem and can rectify it.'

Many of the firms assessed the impact of training on individuals as part of their performance appraisal arrangements. The building-hire company interviewed its staff after training and monitored them informally during the year. The Investors in People tended to have a more structured approach:

> In the graphics and origination studio, three months after the training episode, the relevant manager will assess the person's effectiveness in doing the work they were trained for. If they have not fully absorbed the training, an in-house trainer from the firm's sister company will assess what needs to be rectified and will specify the required further training.

The museum measures the impact of training via a training review. Did the training meet the objectives that were specified in the original application for training? How has the staff member shared the learning with colleagues? At the level of the organisation, the administrator carries out an annual review, looking at the spread of training and its cost.

Expenditure

Most of the firms in the follow-up interviews had training budgets, mostly ranging between 1% and 2.5% of turnover (although the management consultancy said that its budget ranged between 1% and 5%!).

Companies noted that they would not limit training to budget levels *if* it were necessary. 'We treat training as an investment, not as an overhead cost. Any investment with a payback in 12 months – you do it!' (screen printers).

They also pointed out that the budget by no means covered all their training activities. Several firms noted that the costs of travel and subsistence for external training might be met from a different budget. Others pointed out that budgets did not always include the costs of internally delivered training. Most did not calculate the benefits resulting from the 'snowball effect' – from training one or two members of staff, who then passed on that learning to their colleagues at no cost.

Some of the firms had no dedicated training budget. One of these notes that most of its training was in-house so a specific budget was not required; another observed: 'as we need it [funding for training], we find it'.

Implications for support for learning in SMEs

The views of the employers interviewed indicate that generally positive attitudes to learning are held by some employers in small firms. They also reveal that employers value and use a range of different types of learning, although their tendency is to go for low-cost informal learning where possible. Sourcing the most appropriate training and learning experiences appears to be a major concern.

Views of people working in SMEs

Research into workforce development in small firms rarely asks the employees for their views on their development. The project therefore investigated what employees in small and medium-sized enterprises thought about workforce development by means of a series of focus group meetings with people who worked in small firms.[29] Focus groups considered:

- the types of learning that are taking place – in terms of content and delivery
- the value and effectiveness of learning in relation to individual objectives
- best practice and how this could be improved and extended.

Six focus groups were recruited, segmented by size of company, as follows:

- two focus groups with employees of SMEs employing 2–10 staff.
- two focus groups with employees of SMEs employing 11–50 staff
- two focus groups with employees of SMEs employing 51–250 staff.

Participants included:

- one group of full-time employees, and one group of full-time and part-time (excluding self-employed)
- private sector employees
- a balanced gender mix
- a mix of ages ranging from 16 to 59.

The focus group meetings lasted up to 90 minutes and participants initially completed a short questionnaire, followed by in-depth discussion about their experiences of, and attitudes towards, workforce development. Discussions concentrated on the training practices of participants' employers and their own workforce development needs, including how training needs were being identified, and how training was delivered and funded.

The focus groups of employees in smaller firms (up to 50 employees) included people working in low-skilled occupations and in sectors and occupations covered by legislation, such as childcare.

Most participants were employed in owner/manager businesses and some were in family-run businesses, which had a distinctive approach to doing business with their own culture and working practices.

More of the individuals from businesses with 51–250 employees worked in a variety of sectors, and were employed in a wider range of occupations. The sample included a greater mix of skill levels, and only two individuals were employed on a part-time basis.

Workforce development, work-based learning or learning in the workforce?

Employees in SMEs emphasised the need to be clear about the definition of workforce development and to differentiate between:

- specific development needs within a given workplace, and within this, training identified by employers; and the use of the workplace as a 'space' to undertake learning that employers – or employees – want to do
- the development needs of the workforce as a whole.

Similarly, in terms of the development needs of the workforce as a whole, participants felt that it was important to distinguish between:

- learning which is of benefit to employees and employers, and
- learning which is of benefit to individuals only.

The *primary area* of discussion during the focus groups was workforce development relating to the demands of a given workplace rather than individual learning needs. In this context, a number of factors that shaped the experience and attitudes of employees towards workforce development emerged.

Factors influencing workforce development at the workplace

There was a high degree of similarity in the experiences described by participants working in micro and small businesses employing respectively 2–10 and 11–50 people. They were less likely to have their training needs formally identified by their employer, and were more likely to be trained on the job than those working in medium-sized firms employing 51–250 staff. In addition to the size of firm, other factors shaping the type of workforce development being undertaken were the type of business, occupation of employee and employment status.

More specifically, the majority of part-time workers in the group were employed in micro and smaller businesses in traditionally lower-skill sectors, such as retail, with jobs with limited training. In contrast, participants employed in businesses with 51–250 employees were mostly full-time, worked in a wider cross-section of businesses and had jobs requiring higher levels of training.

Business cultures and lack of formal training needs

Employees reported that the culture of the business often meant that formal training was not seen to be required. For instance, many employees working in retail, where good customer care is essential, did not receive any formal training. The firm's success was attributed to the innate personality of the staff, knowing their customers and their awareness that poor service would cause long-standing customers to go elsewhere. As such, they saw no need for an external customer care course, and feared that such training could alter the genuine care to customers provided by the staff. Beverley, a part-time cashier highlighted this point, explaining: 'Employers want to offer an old-fashioned service. We know our customers personally, so want to give them a friendly service.'

Drivers of training needs

Participants identified drivers of training needs, as being:

- business change
- the outlook of the owner/manager
- product development.

Business change is an important driver for training needs which is not always exploited. Deborah, a part-time worker in a newsagent employing six people, gave a typical example where the owner of her company was told that the firm could no longer sell mobile phone cards without an electronic machine. The owner decided to install the machine, but training on how to use it was not given to the staff. Instead, the owner put the instructions on the wall above the machine and they had to learn by trial and error.

In contrast, another employee described a situation where a need for training, resulting from a change in the business, had been met when a new computer system was installed to link them directly with a supplier. In this instance, the firm provided on-the-job computer training, delivered by the company which installed the computer system.

The outlook of the owner/manager on the firm's growth and survival prospects emerged as critical. If the owner/manager wants to respond to a business change or opportunity, then he or she will introduce it, and training to meet new skills needs might follow. If not, there is no business change stimulating demand for new skills. An example of this was in a hairdresser's where an employee was aware of new techniques, but the employer saw no need to introduce these, judging that their clients were not likely to want them.

Product development. Employees were aware that products change every day and that staff needed to keep their knowledge up to date. However, they tended to do this by informal means, such as learning from other workers, or on-site from product sales representatives. There is no perception of formal training need as such and staff pick up new skills as they go along, as Mat, a full-time sales assistant, explained: 'We're left to our own devices. We're all long-term employees and we're still picking things up so we're learning all the time. With retail, training needs are stock-led and we learn about the products and share knowledge between ourselves.'

Legislation/health and safety

Health and safety, and other legislation are also factors which may result in the need for further training of existing staff; for example, for people working in childcare and catering.

Multi-tasking and multi-job roles

The need for broader training was exemplified by the case described where two employees in the same company were sent on health and safety training, necessitating staff from different departments to cover for them. The replacement staff were trained to multi-task and move easily between the four departments, thus becoming multi-skilled, albeit within the context of a low-skilled job.

Time is the key constraint

Even when firms had acknowledged training needs, employees in the focus groups could not see how time to take off-the-job training could be secured. They explained that other staff would have to cover – which often put them under immense pressure – and that employing temporary staff is problematic.

Mark, a full-time shop assistant spoke for the others when he said: 'My boss definitely couldn't release me, it just wouldn't be practical. Maybe one day a month, but off-the-job training just isn't suitable for my type of work. There's just never any time free for training.'

Scott, a full-time sales manager, described how he would like some word-processing training, but his firm was unable to release him for training: 'Anyone with a need for IT won't be spared by the company. I think they feel the need isn't as strong as it is. Sparing the time is the biggest problem, not the cost...they think people can just muddle through.'

Drivers of training needs in medium-sized firms

Training in the medium-sized firms (those employing between 50 and 250 people) appears to have similar drivers to those in the small and micro businesses, including business change, product development, health and safety/legislation and the need to introduce new technology. Multi-tasking was again mentioned, with some employees getting on-the-job training to undertake a variety of job roles. Since none of the businesses were owner-managed, this was not cited as a key factor.

Impact of 'poaching' on training

Two individuals commented on the issue of poaching, noting that this can have a big impact on training activity. One stated that their firm employed contractors for the more specialist work, rather than provide staff training. Tony, a quantity surveyor, said: 'We're losing so many guys after they qualify as they know they can earn good money elsewhere. It's now started to have an effect on training, and there's a move towards taking on qualified staff.'

Identifying training needs

Almost a quarter of the focus group participants said that their employers did not make any attempt to assess their training needs. Along with other evidence from the focus groups, this indicates that in a significant number of firms, especially micro businesses, employers have little interest in developing their workforce. This may stem from the situations in which these firms find themselves, where market pressures and the nature of the jobs required do not leave much leeway for development. However, this is not necessarily the case in all small firms, and indeed 65% of respondents to the employer survey claimed to undertake staff appraisal.

Focus group participants who worked in smaller businesses – with fewer than 50 employees – were less likely to have their training needs recognised by their employer than those in larger SMEs (employing 51–250 people). The former tended to work in traditionally low-skill sectors, such as retail, in jobs that required limited training, and were more likely to work part-time.

Employees in smaller firms said that there was very little formal assessment of training needs and only a small number said that they could discuss their learning needs with the owner/manager on an informal basis. Few said that their employer had a business or training plan, and none reported that their firm was involved in Investors in People.

Focus group employees working in larger firms were more likely to report that their employer had a business or training plan, and some referred to quality standards such as Investors in People and ISO9000. Individuals' training needs were more likely to be identified by more formal mechanisms, and appraisals were highlighted most often. For some, this involved a two-way process with both the employer and the employee identifying the training and development needs; for others, the process was more analytical and linked more closely to business objectives, as the following quotations emphasise:

> 'I get broad appraisals. It's a two-way street and I can say what training I need... its usually down to changes in technology or product-driven.' (General manager, computer components firm)

> 'Assessment of training needs is done via yearly appraisals. We have a formal training plan, which links to the business plan. The focus is on business objectives, including new processes and services, recruitment and retention. It's very analytical, not training for training's sake.' (HR manager, leisure firm)

Focus group participants were asked to say whether they thought learning from informal sources was more successful than learning delivered on a more formal basis.
Their responses reflect their personal experiences, revealing that most individuals in the smaller firms (up to 50 employees) had received little formal training and perceived their needs as limited.

> 'You learn more from watching people. It's more likely to be specific to your work so it's not so boring and people can correct you there and then.' (Sue, part-time waitress)

> 'I don't like paperwork and college reminds me of school. Practical training is better. ' (Shirley, full-time carer)

> One participant noted that training beyond a certain level was best conducted formally: 'basic training is okay on the job, but at supervisor level or more you'd want to go to college' (Chris, full-time general shop assistant)

'I don't want to learn outside the job. It's with people I know and everyone knows what they're doing, so I feel more comfortable asking them questions. Training is much more one-to-one in a family firm. When I worked in a larger company, I spent four days on a course listening to someone with 25 other people in a room – mostly learning how to speak to people. I got a certificate, but it doesn't make me do my job any better.' (Sharon, full-time administrative assistant)

Lack of space

Few employees stated that their employer was likely to create a space at the workplace where they could undertake learning – either work-related or for their own personal development. The view was that owner/managers tended to see personal learning as something that the individual should arrange.

In addition, most employees said that there would be insufficient space at their workplace to allocate a separate area for learning, even if their employer wanted to do this.

Experiences in medium-sized firms

Participants from larger firms (51–250 employees) who had experienced both formal and informal learning generally viewed both as important, depending on an individual's type of job and occupation. Some felt that open courses were important to generate new ideas, which could then be applied back in the workplace. More senior workers in particular felt that it was easier to concentrate when they were away from their work environment. One person had been on an intensive training course for her previous job in a post office, and felt it was essential that the training was provided off-site to enable her to absorb all the information.

Other employees preferred informal learning. Wendy, a full-time clerical worker felt this helped to improve communications between staff: 'On-the-job training is provided by people who have been there the longest. There's a general team spirit of everyone helping each other out.'

In another instance, a mix of both was thought to be preferable, and NVQs were cited because they provided smaller chunks of learning combined with feedback on the job.

Resources for training

A small number of employees stated that their firm had dedicated training rooms, where training was delivered, although these were not specifically equipped as a learning resource. One participant explained that it would be impractical to have a dedicated, in-house training resource, as this would be expensive to keep up-to-date. Instead, the company encouraged computer-based learning – particularly for managers – using CD ROMs. They also provided videos and study packs on customer service for individuals working in their call centre.

Another individual's firm had a dedicated centre for training in first aid and health & safety with specialist equipment where employees could undertake in-house courses.

As with the micro and smaller firms, space was at a premium, and none of the participants had access to a dedicated space to learn for their own personal development.

What training?

Given that the majority of focus group participants in the smaller firms (fewer than 50 employees) were employed in lower-skilled occupations, and in lower- skill sectors, there was little indication that they thought they had unmet training needs. This said, those working full-time were more likely to have training needs than those working part-time.

> 'We got informal training when we started...where the kettle is and how to work the till.' (part-time shop assistant)
>
> 'We get some customer service training, but it's on the job, nothing special really – like any other retail shop.' (full-time shop assistant)
> 'I've been in the job 20 years. We've always learnt on the job. I don't need training as the job stays the same.' (full-time steel fixer)
>
> 'I could do with more product training as some of my work is quite technical. I ask, but it doesn't happen.' (full-time sales representative)

Working towards NVQs

Two people working in childcare either had NVQs or were working towards them. Julie, a deputy supervisor in a playgroup, wanted to update her qualifications by doing an NVQ Level 3 and was attending college one day a week. She had told her employer she would leave if they did not pay for the training, and thought she would be asked to go, on the assumption that her employer would recruit someone else. In fact, her employer said that they would pay, suggesting that they did not expect to get another qualified member of staff in the current tight labour market.

Two participants said that their firms had provided NVQ training for other members of staff. One was a public services company, which recruits a group of young people every three to four years, and the other was a leisure company, which was involved in a scheme piloting NVQs in customer service at Level 2.

Formal versus informal training

Training for the participants in medium-sized firms was more likely to be delivered in a more formal, structured way. However, the discussions revealed that those in lower skilled jobs were more likely to receive on-the-job training than those in professional or managerial positions, who were given more formal, or specialist, training.

For instance, John, a production supervisor, in a motor components company, described a specialist course he was due to go on at London University, which had been specifically designed for six people in his firm. In contrast, Rob, a mechanical fitter in a public services company, explained that he had basic skill requirements and training was undertaken on the job. In another case, Lara, a full-time clerical assistant in an accounts firm, spoke for others in a similar position when she said: 'I work at a low level and learn from other people. Whoever's available does the training. It's the accountants who do all the proper work, we just do all the running around.'

Nevertheless, training for all staff is still more likely to be provided in the workplace, unless the firm does not have the necessary skills in-house to deliver the training.

The majority of focus group participants in the smaller firms (fewer than 50 employees) received on-the-job training, primarily delivered by the owner/manager or another member of staff. Some individuals received both on- and off-the-job training, but this was the exception rather than the norm. An optician's receptionist provided an example of this. She had attended a day course to learn more about types of frame and contact lenses. A private training company delivered the course, off-site in a hotel, and she attended with staff from other branches. She explained:

> 'Sometimes a manager will train off-site and come back and train the rest of us. Other times they'll wait to send a couple of us at a time on a course. We go off-site because we don't have the space in our shop. It's good as it takes you away from your job and you can concentrate better... also it's a proper person training you.'

Paying for training

Some participants said that although they got training, it was delivered outside office hours and they were paid for their time. A small minority said that they would consider this, but there was no sense that employees would be prepared to do this as a matter of course.

Almost without exception, participants said that the employer should pay for job-related learning, and that this should take place in working hours. One or two people felt that all training benefits the individual as well, and so they might be prepared to pay something towards broader vocational learning, depending on the extent they would benefit –. for example, if training led to a qualification, which they would be able to use in a future job. However, this was by no means the general consensus.

As with employees in micro and smaller employers, the majority of employees in these groups felt that employers should always bear the cost of job-specific and job-related training.

Some felt that there should be negotiation on time and money between the employer and employee for broader vocational learning, but this tended to be the view of more senior employees than those in the lower-level jobs.

In contrast to the previous groups, participants were able to cite more innovative training practices that were being used by their firms.

In one instance, a company was offering a financial contribution of £100 to staff for non-vocational learning that they undertook in their own time. To date, approximately half the employees had taken up the option. The participant described this as a 'cheap benefit' for the company as it resulted in a more motivated workforce, and promoted the message to employees that the firm did things differently.

None of the individuals had received any broader vocational training from their employer. One person working full-time for a small division of an airline company had asked their firm to pay for a Spanish course: 'They wouldn't do it as they said it wasn't in their training plan. I know Virgin pay for their staff to do language training, but then that's Branson for you!'

A part-time hairdresser felt that broader vocational learning would still be of most benefit to the employer, and therefore they should fund the cost. She said: 'Broader training will usually be relevant to your job so your employer should still pay.'

Innovative practice

Innovative training practices were limited because training needs were limited. There was one instance when an accounts assistant mentioned shadowing. She had been previously working in another department, but was interested in changing to accounts and had spent time shadowing the manager in that department.

In another case, the playgroup supervisor working towards an NVQ Level 3 used her off-the-job training at college to train others at the playgroup. She used videos and made presentations to her colleagues on what she had learnt.

Another participant described a mentoring system for new graduates whereby they are assigned to a director or senior person with whom they can discuss issues and problems on an informal basis.

One participant said that she had her own training plan, and was shadowing a colleague in her department who was helping her to learn computerised personnel packages as part of her job.

Time constraints

For focus group participants in the larger firms (51–250 employees), as with the previous groups, time is still the key constraint in determining how and where training takes place. Some participants explained that it is not possible to release staff for training, but that managers attend courses off-site, and then impart the knowledge to other employees. This cuts the cost of tuition and resolves the issue of taking staff away from the workplace, as indicated in the following quotations:

> 'The boss goes on the training courses, say, computers for a day or two and then trains up the people who need the training.' (part-time printer/engraver)

> 'It costs time and money to release people, so a senior partner might go on an external course, and is then expected to pass on what they've learnt.' (quantity surveyor)

> 'Senior engineers go on training courses or [courses] with suppliers and then come back and do the training. It works because it focuses the person's mind and helps to cement their knowledge. The downside is they come back to lots of work as smaller companies can't provide cover.' (general manager, computer components firm)

During the discussions, there was a sense that managers were hard-pressed, and thus more likely to deliver training quickly rather than effectively. This suggests that there is a need to target training resources on supporting managers to become better trainers, while looking at ways in which outside professional trainers can provide more customised training support on-site.

Attitudes to learning

Participants in each focus group were asked about their attitudes towards their own learning and development, and learning in general. In particular, the discussions concentrated on:

- what motivates the workforce to learn and the incentives/rewards required
- what kind of learning is most valued and what outcomes/results are expected
- the language used to describe learning.

Only a small number of participants had ever funded their own learning. Those who had paid for their own learning cited a mix of vocational and non-vocational learning undertaken for their own personal development. Examples included one individual who had been keen to learn more about computers. The participant did not use IT in her job, but had wanted to know more about computers so that she could use her son's computer at home. Another individual had undertaken an A-level 'to prove to myself that I could gain a qualification'. And another had done a sign-language course 'to broaden my horizons now that the kids have left home.'

Individuals cited the following factors and incentives which motivated the workforce to learn in terms of both vocational and non-vocational learning:

- personal satisfaction, achievement and self-fulfilment
- better future job prospects/employability
- job satisfaction
- increased chance of promotion
- better pay
- qualifications/certificates as proof of training
- quality standards in firms
- performance-related targets
- interest in topic/subject
- chance to fulfil a personal ambition
- to build confidence
- thirst for knowledge
- to 'keep up with the times'
- to 'stay ahead of the game'.

What learning is valuable?

Participants were asked to say what kind of learning they most valued – learning for their specific job, broader vocational development or non-work-related learning. There was a general view in the micro and small firms that learning for an individual's own personal development is valued above training provided by an employer. This is perhaps not surprising, since few individuals were receiving any training to do their job.

By contrast, those individuals working in the medium-sized businesses – who had had more opportunities to learn – felt that all forms of learning were valuable. One individual summed up the view of others when she said: 'It all depends on how much you enjoy your job and the potential for progression within a company. If you don't love your job you look elsewhere for your personal development.'

Expected outcomes from learning tended to relate to the original motivations for undertaking learning. If learning was job-related, they were more likely to relate to improved pay and promotion prospects. If learning was non-vocational, individuals were more likely to cite personal achievement and self-fulfilment.

In one group, participants were asked whether they thought individuals undertook learning for themselves, their employer or the wider economy. There was unanimous agreement that individual learning is for personal achievement and not for the benefit of employers. Furthermore, they did not perceive that such learning was undertaken for the benefit of the wider economy.

Participants were asked to clarify the meaning they ascribed to certain words that are used to describe workforce development, such as learning, training, personal development, and skills. The general view was that training and skills relate more to employers and work, whereas learning and personal development relate to learning that is of benefit to an individual.

The following quotations offer a flavour of the range of views expressed:

> 'Training implies doing it for employers…learning implies doing it for yourself.'
>
> 'Training sounds like it's negative and job-specific: learning could be about anything personal as opposed to professional.'
>
> 'I'd use learning to say that I learn something new every day. If someone says training, it sounds more proper and official.'
>
> 'Training and skills sound very 80s and remind me of jobcentres.'
>
> 'You're taught to learn at school when you're younger so learning's more about education.'
>
> 'Personal development sounds more PC. It's a better word than training. It's more about what you achieve and implies [something] broader than your job.'
>
> 'Training is when you're taught something in your job…it's more practical.'

Lessons from the focus group interviews

The comments from participants in the focus groups revealed a fair degree of awareness of the issues that surround workforce development. Their views on the likelihood of low-skilled workers getting training, and their views on what learning is valuable should be considered by policy makers. The opinions expressed in focus groups also provide an insight into the barriers to learning in small companies. Competing pressures on time and budget, and the extra pressure placed on colleagues who remain at work while others are trained, need to be taken into account.

4 Learning in practice

Despite the caveat that SMEs are not a homogeneous group, there are some general principles about learning that can be drawn from the findings to date. Employers in SMEs appear not to be averse to developing their workforce, but prefer to do it in informal ways linked to direct training needs. This method also appears to be favoured by people working in SMEs.It therefore follows that those supporting SMEs need to find ways of both developing more effective informal learning, and extending the range of flexible learning leading to qualifications for the benefit of individuals in small companies.

The need to adopt this approach has been proposed by previous research. In a study of several European companies' approaches to learning, change and the learning organisation[30] a number of key features were identified.

- Part of the overall competence required by workers in these companies was a capacity to understand the organisational complexity, and where and how they fitted in: a 'helicopter' view of the organisation.

- There was a distinction to be drawn between two types of knowledge required of employees taking part in the study. Personal knowledge built up from experience and reflection as well as use of some public knowledge distinguishes the 'expert' or experienced worker from the novice or apprentice worker who largely uses propositional or public knowledge.

- The key feature of the learning approaches in the companies was the provision of opportunities for collective and individual reflection on ways to improve company performance. This benefited both company and worker in the long run.

- Use of focused on-the-job learning with an expert assisting a novice or less experienced worker to learn, plus formal training programmes where needed.

Importance is placed on informal but contextual learning – learning embedded in the working processes of the company, as distinct from context-free knowledge from formal courses.

Other research has shown that formal training is used considerably less by SMEs than informal training.[31]

Features of informal learning

Policy makers and providers need to understand the features of informal learning and how it works.Informal learning may include self-directed learning and 'reactive' or unplanned learning. The latter may include knowledge that is acquired without conscious thought, and which the individual may not be aware of having absorbed.[32] It can involve incidental learning[33] – a by-product of other activities taking place during work such as completing tasks – which is never planned or intentional, unlike informal learning, which may be either or both.

Eraut *et al*[34] proposed that 'the role of non-formal learning in developing the capability to use that knowledge at work is much greater than commonly assumed'.It can be acquired from performance of the job (learning by trial and error, or learning by experience) or through learning from other people ('sitting next to Nellie').

Ashton and Sung,[35] among others, have indicated that SMEs – and in particular, micro and small businesses – have unique learning and training needs which differ from those in medium-sized companies. They also note that cost and time pressures are particularly pressing, which militate against their take-up of formal training. In some sectors, low skill requirements result in lower demand for upskilling the workforce. In addition, the owner/manager is likely to have learnt informally, rather than through the acquisition of formal qualifications.

Methods of informal learning identified by Sung, Raddon and Ashton[36] include:

- one-to-one training
- working alongside a skilled employee
- informal chats and information sharing
- observation, in person or via video
- working through learning packages (interactive or self-guided) or handbooks,either computer- or paper-based
- team-based problem solving
- team-based learning; for example, for new software technology.

Given the congruence between the findings of this project and previous research, it would seem that SMEs are justified in asserting that informal learning is usually the most appropriate way for them to develop the skills of their staff. Informal, in-house training may better serve the needs of the small firm, as it can be more easily customised and related to issues and problems being experienced by the company. However, the quality and effectiveness of this learning may need to be improved by enabling those who provide it to do it better. Additionally, the professional teachers and trainers who work with SMEs should also develop more informal methods and more flexible delivery.

5 Conclusions and issues

- The workplace provides an environment which has the potential to develop many different types of skill and knowledge. However, the term 'workforce development' is used as a catch-all to describe work-specific training conducted by and for employers, and the general or specific development of individuals in the workforce. The term 'workforce development' therefore needs to be explored to find out what type of learning is being undertaken and to differentiate between that which is of benefit to employers and employees, and that which is beneficial to individuals only.

- Nevertheless, while there are still many barriers to progress, workforce development seems to be gaining ground as a concept, with both individuals and employers. Changes in attitudes among some SME employers are evident, as reflected in positive views on training expressed in the postal survey and follow-up interviews with employers.

- However, securing greater employer involvement in learning within SMEs requires an emphasis to be placed upon business support, rather than learning in itself. This will need far greater interaction between the various providers of support, to ensure that information on the support needs of small firms is matched by the capacity of those responsible for delivering different types of support and business solutions.

- A wide range of learning styles and forms of learning needs to be accommodated, but a central theme is the need for solutions which are flexible and time-efficient. Given the difficulties involved in running a small company, successful small business must be doing something right! In many small businesses, employers and employees are learning from their everyday experiences, perhaps in informal ways. Some of this learning could be recorded and perhaps accredited, but there is a dilemma in so doing in that it may interfere with the dynamic of the learning and make it less relevant.

- There is evidence of innovative solutions being found by companies: for example, investing in training for a key member of staff with subsequent cascade training for their colleagues; shadowing other, more experienced colleagues; and demonstration. Providers of support for small businesses should perhaps concentrate on the development of capacity to learn informally in the workplace, and the relationship between this informal learning and more formal learning.

- Space as well as time may be a limiting factor in the extent to which certain types of learning can take place in the workplace. However, some of the most relevant learning may be related to product development and working practice, which does not require special facilities. The extent to which such activities are viewed as learning may be the most limiting factor.

- As the employees in very small companies noted, there may not be specific and tangible learning needs relating to their work role. While such views must be respected, the workplace as a point where people gather may provide opportunities to reach out to a wider range of non-learners and so stimulate their desire to take part in learning. This also highlights the point that policy on adult learning cannot rely exclusively on employers: broader labour market and economic concerns, not to mention the individual career needs of individuals, will sometimes require provision delivered away from the workplace and funded accordingly.

- A general conclusion that follows from the project results is that very small firms usually face different problems, requiring different solutions, from those faced by bigger companies. Many very small firms may not want or need to adopt more formal approaches to learning and workforce development. Further, they may not perceive that they have any business-related or HR-related, training needs. But the study also identified a number of small firms, with fewer than 20 employees, which had adopted formal systems and approaches to HRD, in some cases within the framework of Investors in People. As with other aspects of support for SMEs, generalisations are not always helpful. The way learning is perceived clearly affects views on whether there is learning potential within everyday activities.

- The government is considering a new approach to support training for low-skilled people in the workforce, announced in the 2001 Pre-Budget Report. The approach is to be piloted in six Employer Training Pilots,[37] which will provide support for employers and employees in small companies through four linked elements, these being:

    - free learning provision and accreditation for employees with low skills
    - support arrangements for individuals to take up such training, which may include paid time off to train
    - financial support for employers whose staff take time off to train
    - extended information, guidance and support for employers and their staff, which could include the wider development of 'skills champions', along the line of union learning representatives.

- These could greatly improve the take-up of training in small firms, but should take into account the wider view of learning, and informal learning methods, which small firms prefer.

6 Developing effective support for workforce development in SMEs

Developing capacity to train

Providers should recognise that training for SMEs is often carried out by a variety of people using a range of methods, much of it in-house. Learning activities may encompass job-specific and generic skills and knowledge. Much learning is informal and incidental, and facilitated by managers, supervisors and peers. The government's Employer Training Pilots will test the wider deployment of 'skills champions' who will themselves need training and development to fulfil their new role. This suggests that there is a need to target training resources on supporting a wide range of employees who have some responsibility for learning in their companies to become better trainers, while looking at ways in which outside professional trainers can provide more customised training support on-site.

There is a role for providers in developing the capacity of these people to enhance the quality of learning. People with a training role in SMEs need to learn the appropriate skills to cascade training, coach, mentor, operate quality circles and provide demonstrations.

The business case for learning

The business case for learning appears to be strongly related to:

- the outlook and adaptability of the owner/manager
- product development and/or building new markets
- legislation
- business change.

While owner/managers in SMEs emphasised the need for these factors as a general rule, some appear to appreciate the benefits to an individual's morale and commitment that may result from company sponsorship of a broader range of learning activities.
While there is limited evidence of the direct contribution of learning to the bottom line, it may make a positive contribution to performance, employee recruitment and commitment, and to fostering a corporate culture.

Family-run businesses have a distinctive approach with their own culture and working practices. Providers need to acknowledge that some small companies will be lifestyle businesses that do not seek to change.

Providers may need to develop the business case for learning, and especially for more broadly based learning, by providing examples of the immediate and longer-term benefits to employers. Useful techniques include:

- ***discussions with group training associations, NTOs, Chambers of Commerce and other employer-led bodies***
- ***providers, colleges, the LSC and SBS working with SMEs to gauge the benefits of learning in terms both of its importance to some specific operational requirement, and its strategic impact***
- ***improving the information flow to SMEs about skills shortages and local labour market needs***
- ***emphasis on the role of learning and training in improving productivity and staff retention.***

Priorities for work-based learning

Providers may find that approaching workforce development through sector workforce development plans is a useful way of determining priorities. Appraisal or the business plan is often the starting point in some companies. Investors in People, now geared to meeting the needs of SMEs, may also promote a systematic, competence-based approach to workforce development. Providers and intermediaries should work with SMEs to identify their needs; for example, by undertaking surveys or providing diagnostic packages.

In assessing priorities for workforce development, providers of support for workforce development should take into account:

- ***variation by sector as reflected in the sector workforce development plans***
- ***whether management skills, intermediate skills, or highly task-specific skills are required***
- ***the influence of external factors, such as health and safety legislation, food hygiene regulations, the requirements of major customers, etc.***

Individuals and learning

Low-paid staff who work in small companies may have low aspirations and need to be persuaded to engage in learning. Motivating people to learn may require incentives.Additionally, workforce development needs to propose a broader view of what constitutes learning and how informal learning is valued. Attention should be given to the language used to describe learning to ensure this is inclusive of all forms of learning. Even if there are no substantial learning needs in some occupations, the workplace may provide a location for making contact with potential learners for non-work-related learning.

Employers' perceptions of the training needs of their staff are often narrow and highly specific. These perceptions may not coincide with the desire of some employees for accredited, transferable skills.

Providers should consider what outcomes and results individuals as well as employers expect.

Providers should also consider:

- ***the use of coaching and mentoring to change negative attitudes to learning***
- ***incentives, both for pay and progression through internal labour markets***
- ***the use of NVQs to enable employees to identify the knowledge and skills they possess, thus increasing their confidence and commitment to learning***
- ***key worker schemes (as in the Skills for Small Business programme).***

Flexibility of delivery

SMEs frequently have difficulty releasing staff for off-the-job training as fixed training times may conflict with the demands of the job. It is difficult for providers to respond to the flexible requirements of one or only a few members of staff of an SME at a cost which small companies can afford. SMEs may cope by organising highly specific customised training at the workplace, but will require support to develop this.

Time and sometimes space are key constraints to securing engagement in learning by SMEs. Providers should consider:

- ***how to make use of technology to secure access and make better use of time available during or outside work***
- ***more flexible provision, such as delivering at least part of the training outside conventional time slots***
- ***how to secure collaboration between companies to meet needs more cost-effectively.***

Qualifications

SMEs are often not convinced of the value of qualification, frequently requiring only part of the learning covered by the qualification. They are also often not convinced of the value of NVQs. Employers and their employees may be more concerned to develop skills rather than gain qualifications. Unitisation or the provision of part-qualifications, would allow more specific qualifications to be developed to meet employers' needs, while at the same time enable individual learners to obtain some recognition of achievements.

Policy makers need to consider:

- ***what incentives would convince SMEs of the value of qualifications***
- ***whether the lack of take-up of NVQs is a reform or marketing problem***
- ***how to put in place a unitised accreditation system.***

Appendix 1

Review of related workforce development initiatives

Employee Development Schemes

While intervention to develop the workforce has been a feature of successive governments, government has not instigated all innovations. Most notably, the Employee Development Schemes (EDS) have emerged from the belief of some large employers that any involvement in learning secures a more intelligent and adaptable workforce.

Employee Development Schemes emerged in the 1970s and there are now around 2300 active company schemes in England – a fourfold increase since 1995. One of the first schemes and one of the largest was Ford Motor Company's EDAP scheme, which was started in 1989 and now has over 10,000 employee participants covering learning, counselling and welfare for staff. Most of the expansion has centred on medium-sized companies, which have a developed HR management policy. Small companies may also benefit from EDS, but these appear to be the least likely to participate.

A review of EDS undertaken by the Host Consultancy[38] for DfEE in 1999 described some of the features of the schemes then in operation:

- Employee engagement in the schemes varied considerably: some (1 in 5) were linked to vocational courses and – despite their stated intention not to replace training – may substitute for training of workers for their present jobs rather than providing non-vocational personal development for the individual.

- Early schemes were single company, but later models include cooperative, multi-employer (eg Kent TEC's Return to Work) or single industry schemes. Collaborative schemes were criticised for their lack of cohesion, making them unlikely to secure the critical mass needed to promote national take-up.

- Schemes are most successful where they have had up to three years supported development by their senior managers and have been actively marketed; or when they are seen as a driver of organisational development through the HR policy of the company.

Benefits to the company may not be of the same order as benefits to the individual, but may secure increased staff commitment and motivation, adaptability, increased skill levels, confidence and team-working

As one half of EDS participants gain access to courses with qualifications, individuals may benefit from the achievement of vocational qualifications as a pathway to improving career prospects.

The Host Consultancy report noted the success of EDS in some firms in changing attitudes towards learning, but recommended a more active public policy support of EDS combined with effective targeting of support.

Individual Learning Accounts

Individual Learning Accounts (ILAs) aimed to stimulate demand for learning by encouraging learners to save and invest in their own learning. ILAs were based on a special account, which entitled the individual to discounts on certain forms of training.

Now discontinued because of fraudulent claims, ILAs provided a means of funding learning for individuals, with up to _150 provided by government – initially from TEC funds – with a minimum contribution of £25 from the individual. Trades unions were active in their introduction, and the Trades Union Congress (TUC) saw ILAs as providing a measure of control of learning by individuals. There were, however, doubts that they would provide a sufficient framework for funding learning.

The Union Learning Fund

The Union Learning Fund was set up in 1998 to involve trades unions in developing their capacity as learning organisations, and increasing learning at work within their membership. The commitment of TUC General Secretary, John Monks, to learning is reflected in his statement: 'every workplace must become a learning organisation – every worker a learner'.[39]

Many different models of provision have been set up in collaboration with other training providers, such as FE colleges, and partnerships are a feature of ULF. The training involved ranges from upgrading ICT upskilling to basic and key skills training. Learning Representatives are being trained to mentor or coach their colleagues. Unison, for example, has used the fund to develop lifelong learning advisors across its union branches.

By the end of Year 3 of the fund (2000), 215 projects had been supported, at a total cost of about £8.6m. The projects encompassed a number of themes, including ILAs, Ufi, basic skills, learning centres, learning representatives, access/equality, and union strategic issues.[40]

As a consequence of the Union Learning Fund, almost 14,000 people took part in learning; 3250 learning representatives were trained; 9000 individuals had their learning needs assessed; and almost 6,000 learning centres were opened. Many of the Return to Learn employees may not have taken part in formal or informal learning for years. As a partnership between employers, workplace trades union members and government, the fund enables a collective initiative to be tailored to the learning needs of individuals.

The Union Learning Fund, along with other initiatives such as Bargaining for Skills, represents a change of culture for the trades unions and the TUC,[41] opening up the somewhat restricted trades union view of training, in acknowledgement of the role of the wider system of education and learning.

However, the scope of the ULF is clearly limited to firms and sectors which are unionised. Consequently, its impact on workers in SMEs, which are largely non-unionised, is limited.

Corporate universities and the economics of corporate learning

The concept of the corporate university developed in the USA, where their numbers have risen from 400 in 1988 to over 1600 in 1998.[42] The corporate university concept is also developing in the UK. Rover Cars, for instance, during the 1990s developed a hybrid learning organisation or 'learning laboratory' called Rover Learning Business (RLB). This incorporated the company philosophy for business aims, but also promoted employee personal development through such methods as use of a learning diary and personal *Learning Pays* audiotapes to help new learners to identify their learning style.[43]

The business case for learning and new models of learning are related to building the company's adaptability to new markets and developing an organisation where learning is an inherent part of the culture.

NTO workforce development plans

A more structured approach to workforce development has been attempted, based on the efforts of the network of National Training Organisations (NTOs).[44]

The development of sector workforce development plans (SWDPs) is seen by government as a key step in enhancing the role of sectoral organisations in the planning and promotion of workforce learning and training.

The SWDPs are intended to:

- identify labour market trends, skill shortages and future training needs
- identify, for main stakeholders, those who provide the training and education within each sector
- indicate existing and potential skills gaps
- examine existing vocational qualifications for validity and responsiveness to employers' needs
- convene consultative sessions between all the stakeholders.

With the implementation of SWDPs, the NTOs and their successor bodies will have an expanded strategic role in partnership with employers, Regional Development Agencies, local and national LSCs and the DfES.
Outcomes of the plans will include short-, medium- and long-term changes to the sector, with meaningful and achievable targets set after consultation with employers.

Learndirect and University for Industry (Ufi)

The idea behind Ufi is that use of online learning and high-quality materials can make learning more accessible. Using learning centres such as libraries, shopping malls, and leisure centres, Learndirect is encouraging participation by new and returning learners.

The Ufi and its brand Learndirect aim to use new technology to secure access to learning for people in the workforce, at home or in learning centres. It offers online learning, supported by over 700 Learndirect centres. Information on Ufi's website shows that over 4000 courses are on offer, 875 of which are online. Support to learners is provided face-to-face at the learning centres, through a telephone hotline, and via online tutorials. There is an online database with information on over 500,000 other courses nationwide. Online careers information is also available to users.

During Learndirect's development phase (21 April–15 October 2000), 36,000 people registered as Learndirect learners, registering for over 77,000 courses.

The Ufi corporate plan (1999) stated its intention to prioritise, among others:

- the 9.5 million people who work in SMEs (up to 50 employees) and 2.5 million in medium-sized enterprises (50–250 employees)
- the 3 million people employed in the retail and distribution sector
- 5000 businesses in the automotive components sector.

Investors in People

Developed as a means of HRD within all organisations in the UK, IiP promotes a systematic, competence-based approach to staff training and development. Within the 10 years of its existence, the number of organisations within the UK that have achieved IiP status have increased in line with the government's national achievement targets. In its company report for 1999/2000, IiP noted that over 47% of firms with 200+ employees had achieved IiP recognition (against a target of 70%); 27% of firms with 50+ employees had achieved recognition (against a target of 45%).[45]

In 2000, Investors in People UK Ltd set itself the goal of attending more to the needs of SMEs. Recognising their specific and diverse training needs, IiP UK established, a telephone help-line service to advise SMEs, and a revision of its Building a Better Business planning service.

Basic skills in the workplace

The recognition that learning in the workforce was dependent on adequate levels of basic skills was among the conclusions drawn by the Moser Report in 1999.[46] The report concluded that as many as one in five adults in the UK have poor basic skills, and that:

- employers have a key role in promoting basic skills and should demand more skills of their employees andhelp them to acquire these skills
- basic skills development in the workplace should be publicly funded
- A Workplace Basic Skills Development Fund should be established by seed funding for employers to set up basic skills programmes and get free advice on this development
- Employers wishing to gain IiP status should have effective arrangements for diagnosing basic skills problems
- Union representatives should be involved in handling basic skills issues.

Appendix 2

Characteristics of focus group participants

A total of 50 participants took part in the focus groups and, in some instances, more than one employee attended from the same firm. Twenty-one were males and 29 were females. Half were aged 25–44), and only one participant self-declared that their ethnicity was Indian Sub-Continent. Just over half were living with a partner with children (*see* Tables 1–4).

Table 1 Gender of participants	
Male	21
Female	29
Total	**50**

Table 2 Age of participants						
Age range	16–24	25–30	31–44	45–54	55+	**Total**
Numbers	9	3	22	12	4	**50**

Table 3 Ethnicity of participants	
White European	49
Afro-Caribbean	0
Indian Sub-Continent	1
Other	0
Total	**50**

Table 4 Personal status of participants	
Single	15
Living with partner with no children	6
Lone parent	1
Living with partner with children	28
Total	**50**

Size of employer and sector

The 50 participants were split almost evenly across the three companies' Size bands (*see* Table 5), and all but two individuals were employed in the service sector. Participants worked in a variety of sectors, including retail, construction, hotel/catering, leisure and financial services (*see* Table 6).

Occupation/job role

Further analysis of the questionnaires revealed that most individuals were employed in lower-level jobs in a number of different occupations, including manual jobs, shop and office work, catering, clerical/accounts, administrative jobs and sales. Only a small number were in supervisory, managerial or professional posts, and all but one of these worked in a company employing 51–250 staff.

Employment status and earnings

Over two-thirds of participants were in full-time employment and the remainder worked on a part-time basis (*see* Table 7). Of those in full-time employment, just over half had gross weekly wages of £200 or more, with the majority of part-time workers earning £100 per week or less.

Table 5 Size of employer/company				
Company size (no. of employees)	2–10	11–50	51–250	**Total**
No. of participants	17	17	16	**50**

Table 6 Type of employer (by sector)			
Servicel	Manufacturing	Other	**Total**
48	2	0	**50**

Table 7 Employment status of participants	
Full-time	36
Part-time	14
Total	**50**

Table 8 Gross weekly wage of participants					
Wage	<£100	<£100–199	<£200–399	£400	**Total**
Number of employees	15	9	13	13	**50**

Qualification level

Over two-thirds of participants had either no qualifications or qualifications below Level 2, and four-fifths had qualifications at or below Level 4 (*see* Table 9).

Table 9 Qualification level of participants	
No qualification, or below Level 2	14
Level 2 but notLevel 3	22
Level 3 but notLevel 4	8
Level 4 but notLevel 5	4
Level 5	2
Total	**50**

Recent learning/training history

Thirty-eight out of 50 respondents said that they had participated in some type of work-related or non-vocational learning over the past three years, outside initial full-time further and higher education and training (*see* Table 10). Of these, a small number of individuals originally said they had received no learning, but subsequently went on to describe employer training they had received in their job, lasting for one day. The figures have therefore been adjusted to reflect the fact that learning had taken place. This could provide some indication that individuals did not view a day's training as having participated in any learning. Twelve individuals had undertaken no learning.

Table 10 Participation in non-initial learning over past three years	
Yes	38
No	12
Total	**50**

Type of non-initial learning

Two-thirds (32/50) of those undertaking learning stated that it had been work-related (*see* Table 11).

A further five reported a mix of vocational and non-vocational learning, with just one individual stating non-vocational learning only.

Table 11 Type of non-initial learning	
Vocational/work-related	32
Non-vocational/non-work-related	1
Both	5
None	12
Total	**50**

Personal funding of learning

Participants were asked to say whether they had ever paid for any learning which was not supported in any way by the government or their employer. One individual did not answer the question and so the base is 49. The vast majority (43/49) stated that they had never funded their own learning. A small minority (6/49) stated that they had funded their own learning. They were the same participants who reported undertaking some form of non-vocational/non-work-related learning (1) and a mix of vocational/non-vocational-related learning (5).

Table 12 Payment for learning not supported by government or employer	
Yes	6
No	43
Total	**49**

Employer identification of individual training needs

Individuals were asked to describe the techniques used by their employer to identify their training needs. Twelve of the 50 stated that their employer did not assess their training needs. In terms of the remaining 38, some participants gave more than one answer. Their responses are grouped in Table 13 below. The most commonly cited was informal sources, closely followed by the introduction of new technology and appraisals.

Table 13: How training needs are identified by employers. Multiple responses from 50 participants	
Business plan	4
Appraisal	19
Formal identification/analysis process	5
Introduction of new technology creates need	19
Informal sources	22
Individual assesses own needs	2
Other	1
No assessment of training needs	12
Total	**84**

Last training/learning undertaken at work

Individuals were asked to think of the last training/learning they had received at work. Nearly half had participated in training/learning related to their specific job. Eighteen stated that they had received no training at work. Of these, a small number had earlier stated that they had undertaken work-related training in the last three years, but not in their current workplace. Only a handful of people had received training relating to their wider personal development and three of these were employed in the 51–250 company size band (*see* Table 14).

Table 14: Last training/learning undertaken at work	
Training related to your specific job	22
Training related to your wider personal development	4
Training related to job and wider personal development	1
IT/computer training	4
Health and safety	1
No training	18
Total	**50**

When last training/learning linked to work took place

Of the 31 who had undertaken training and learning at work, 25 stated they had done so within the last year, and six said they had done so within the last three years. One individual did not answer the question (*see* Table 15). Hence, the base is 49.

Table 15: When last training/learning took place	
Within the last year	25
Within the last three years	6
No training	18
Total	**49**

Length of training/learning linked to work

Short training courses were cited most often (23/31), with training lasting less than one month. Of those, 14 stated just one day. One participant did not answer the question (*see* Table 16).

Table 16: Length of training/learning	
1 day	14
1 week	6
1 month	3
6 months	1
> 6 months	1
> 1 year	0
On-going	6
No training	18
Total	**49**

Organiser/developer of training/learning linked to work

Individuals were asked to state how their training/learning had been organised and developed. Almost two-thirds (19/31) said that their line manager or the owner of their firm had organised the training. Two participants stated 'other': one had jointly arranged their training with their manager, and the other explained that different departments arranged the training, depending on the different areas of work. One participant did not answer the question (*see* Table 17).

Table 17: Organiser/developer of training/learning	
Owner/line manager's responsibility	19
Individual's responsibility	7
HR department's responsibility	3
Other	2
No training	18
Total	**49**

Training/learning provider linked to work

Twenty of the 31 stated that the owner of the firm, their manager, supervisor or another employee had provided the training/learning. Eight said that they had received training from a private company. Significantly, only three participants had attended a college or an adult community centre (*see* Table 18). One participant did not answer the question.

Table 18 Training/learning provider	
Owner/manager	9
Supervisor	7
Another employee	3
Owner/another employee	1
College	2
Adult community centre	1
Private training company	8
No training	18
Total	**49**

Funder of training/learning linked to work

Given that most of the learning undertaken was job-specific, it is not surprising that the majority of individuals (28/31) said that their training was funded by their employer. One participant did not answer the question (*see* Table 19).

Table 19 Funder of training/learning	
Your employer	28
Individual	0
Jointly funded by you and your employer	1
Government/other grant	1
Employer/government grant	1
No training	18
Total	**49**

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Feedback should be sent to:
Information Services
Learning and Skills Development Agency
Regent Arcade House
19–25 Argyll Street
London W1F 7LS.
Tel 020 7297 9144
Fax 020 7297 9242
enquiries@LSDA.org.uk

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